

TAX RATE IMPACT BY
TAX LEVY ALLOCATION

FY 2010

Joint Meeting with Select Board and Board of Assessors December 7th 2009

TOWN OF AMHERST



TABLE OF CONTENTS

Introduction	1
Definition of Terms	1-2
Residential Class	
Open Space Class	
Commercial Class	
Industrial Class	
Personal Property Class	
Residential Exemption	
Minimum Residential Factor	
Small Commercial Exemption	
Allocation of Tax Levy	2
Residential Exemption	3-5
Small Commercial Exemption	6
Board of Assessors Recommendations	7
Sample Motions	7

DECISIONS TO BE MADE

After a public hearing, the Select Board must determine the following:

1. The allocation of the tax levy (factoring) against the classes for Fiscal 2010 based upon property values as of January 1, 2009
2. A tax burden shift from the Open Space classification, to the residential class. Open Space is land that is not otherwise classified, is in its natural condition, and is not held for the production of income.
3. The granting of a residential exemption of up to 20% of the average value of the owner-occupied property. The owner-occupied residence of the property taxpayer is the only property value or share of property value that qualifies for these exemptions.
4. The granting of a small commercial exemption to exempt up to 10% of the value of commercial class parcels that are occupied by businesses with an average annual employment of no more than ten (10) people as certified by the Commissioner of the Department of Employment and Training.

Last year, one tax rate was used for all property and no residential exemption was granted.

DEFINITION OF TERMS

- I. Residential properties may be of three types:
 - A. Owner-occupied and primary residence of the taxpayer.
 - B. Non owner-occupied, including rental single family, rental portions of multi-family dwellings, apartment complexes and second homes.
 - C. Vacant, residentially zoned land.

Total FY 2010 value is \$1,918,464,577.
- II. Open Space is land that is not otherwise classified, is in its natural condition, and is not held for the production of income.

Total FY 2010 value is \$0.
- III. Commercial properties include stores, office buildings, and all vacant land classified as farmland (Chapter 61A), forest land (Chapter 61) and recreational land (Chapter 61B).

Total FY 2010 value of Commercial is \$154,294,823.
- IV. Industrial land and buildings include those in which manufacturing takes place, and those of utility companies, such as Western Massachusetts Electric Company, and New England Telephone Company.

Total FY 2010 value is \$4,563,700.
- V. Personal Property includes all the property owned by un-incorporated property owners. Incorporated property owners pay only on property used in the conduct of business. Some major accounts are Western Mass Electric Company, New England Telephone Company, Comcast and Berkshire Gas Company, all of which pay on the value of poles, wires & conduits.

Total FY 2010 value is \$50,051,910.
- VI. Residential Exemption is a fixed dollar amount excluded from the valuation for each owner-occupied property for tax purposes.
- VII. Minimum Residential Factor (MRF) is a vehicle for shifting some of the burden of the levy from the Residential and Open Space classes to Commercial, Industrial, and Personal Property.

VIII. Small Commercial Exemption is a reduction in the taxable valuation of the property of qualified small businesses, thus reducing their property taxes and shifting those taxes onto remaining commercial and industrial classified properties.

ALLOCATION OF THE TAX LEVY

The law allows a community to provide some relief to Residential (R) and Open Space (O) classes by adding to the Commercial (C), Industrial (I), and Personal Property (P) classes an amount up to 150% of their portion of the levy. The percentage arrived at is called the Minimum Residential Factor (MRF).

For FY 10 our MRF would be 94.5552 representing a reduction of less than 6% for the R and O classes. In the past, the Town has had a uniform tax rate for all classes with no shift of the tax burden using a MRF of 100%.

TABLE I

SUMMARY OF PROPERTY VALUES FOR FY 2010, SHOWING A UNIFORM TAX RATE FOR ALL CLASSES

Property Class	FY10 Values by Class	% of Levy	Share of Tax Levy	Tax Rate
Residential	\$1,918,464,577	90.1799	\$32,517,974.60	16.95
Open Space	0	0.0000		
Commercial	144,294,823	7.2528	2,445,797.25	16.95
Industrial	4,563,700	.2145	77,354.72	16.95
Personal Property	50,051,910	2.3528	847,769.68	16.95
Totals	2,127,375,010			

The average assessed value for FY 2010 estimated value of a single family home is \$ 334,300 down from \$355,300 in 2009 and for a condominium is \$175,300 down from \$177,600 decreases of 6% and 1% respectively.

If the maximum shift of 150% is voted, the tax rates would be as follows:

Residential Class Tax Rate \$ 16.03
Open Space Class Tax Rate
Commercial Class Tax Rate \$ 25.43
Industrial Class Tax Rate \$ 25.43
Personal Property Tax Rate \$ 25.43

For the residential property owner whose assessed value is \$400,000, the taxes would drop from \$6,316.00 to \$5,996.00, a 5.07% reduction totaling \$320.00. A business owner in Amherst, with an assessed value of \$400,000 would see an increase from \$6,316.00 to \$9,476.00, a 50% change totaling \$3,160.00.

RESIDENTIAL EXEMPTION EXAMPLE

The Residential Exemption is a fixed dollar amount excluded from the valuation of each owner-occupied property for tax purposes. Of the total Residential class value of \$1,918,464,577 approximately 4,258 of the 6,177 residential properties are eligible for the residential exemption.

The largest possible exemption that may be granted is 20% of the owner occupied residential value, resulting in a possible reduction in taxable value per property of \$61,886. Since the sum lost by granting a residential exemption must still be made up within that class of property, the balance of the levy is raised by increasing the tax rate of the residential class, for a 20% exemption the rate would go from \$16.95 to \$19.66.

Anyone that would qualify, but did not get the exemption prior to billing, is entitled to apply for abatement. At the 10% level each abatement granted would equal \$145.29, which would come out of the overlay account, which is the amount set aside annually to cover any abatements or personal exemptions granted by the Town of Amherst.

For FY2009 the communities of Barnstable, Boston, Brookline, Cambridge, Chelsea, Everett, Marlboro, Nantucket, Somerset, Somerville, Tisbury, Waltham and Watertown.

The following table shows the calculation of and application of the exemption at 5%, 10%, 15% & 20%.

Impact of Residential Exemption at 5, 10, 15 & 20% Levels

Calculating the Residential Exemption

The residential exemption is a method to pass a larger share of the residential levy of the town to non-owner occupied properties. The calculation will cause the tax rate in the residential class to be higher than the CIP classes and some properties, even though they qualify as owner occupied, will see an increase in taxes.

ONLY THE SELECT BOARD CAN DECIDE ON A RESIDENTIAL EXEMPTION IN AMHERST

The following shows the calculation using the Fiscal Year 2010 residential values and 5%, 10%, 15% and 20% exemptions. The exemption is to the assessed valuation.

Data to be used	
Total residential units:	6,177
Total residential value:	\$1,981,464,577
Total residential levy:	\$32,517,974.60
Tax Rate (levy/value)*1000	\$16.95
Average residential value:	\$309,430
5% Exemption:	\$15,472.00
10% Exemption:	\$30,994.00
15% Exemption:	\$46,415.00
20% Exemption:	\$61,886.00
Qualified exemption properties:	4,258
Calculation of Tax rate for 5% exemption:	

The new tax rate for 5% is total Levy divided by (total residential value-5% exemption amount*qualified exemptions)

equals	Levy	\$28,984,904.47	
5% exemption		\$14,823.28	
Qualified units		4,258	
Residential value		\$1,918,464,577	
adjusted value		$1,918,464,577 - (15,472 * 4,258)$	= \$1,852,584,801
New Rate	Levy/adjusted value	$\$32,517,974.60 / 1,852,584,801 * 1000 =$	\$17.56

Calculation of Tax rate for 10% exemption:

The new tax rate for 10% is total Levy divided by (total residential value-10% exemption amount*qualified exemptions)

equals	Levy	\$32,517,974.60	
10% exemption		\$30,943.00	
Qualified units		4,258	
Residential value		\$1,918,464,577	
adjusted value		$1,918,464,577 - (30,943 * 4258)$	= \$1,786,709,823
New Rate	Levy/adjusted value	$\$32,517,974.60 / 1,786,790,283 * 1000 =$	\$18.20

Calculation of Tax rate for 15% exemption:

The new tax rate for 15% is total Levy divided by (total residential value-15% exemption amount*qualified exemptions)

equals	Levy	\$32,517,974.60	
15% exemption		\$46,415.00	
Qualified units		4,258	
Residential value		\$1,918,464,577	
adjusted value		$1,918,464,577 - (46,415 * 4258)$	= \$1,720,829,507
New Rate	Levy/adjusted value	$\$32,517,974.60 / 1,720,829,507 * 1000 =$	\$18.90

Calculation of Tax rate for 20% exemption:

The new tax rate for 20% is total Levy divided by (total residential value-20% exemption amount*qualified exemptions)

equals	Levy	\$32,517,974.60	
20% exemption		\$61,886.00	
Qualified units		4258	
Residential value		\$1,918,464,577	
adjusted value		$1,918,464,577 - (61,886 * 4258)$	= \$1,654,953,989
New Rate	Levy/adjusted value	$\$32,517,974.60 / 1,654,953,989 * 1000 =$	\$19.65

SMALL COMMERCIAL EXEMPTION

The law allows a shifting of tax burden within the Commercial and Industrial classes (not Personal Property) of qualified small businesses with no more than 10 employees and valuations under \$1,000,000, up to 10% of the value of the small individual business parcels.

If the 60 eligible parcels in the Commercial class 3 are assessed at \$15,047,715, and a 10% exemption was selected, the exempt valuation would be \$1,504,772 reducing the assessed valuation to \$13,542,943. Using a factor of 100%, the following change in the tax rate would occur.

TABLE 3

GRANTING A SMALL COMMERCIAL EXEMPTION – EXAMPLE

<u>Property Class</u>	<u>FY2007 Values by Class</u>	<u>Share of Tax Levy</u>	<u>Tax Rate</u>
Commercial	\$147,029,605	\$2,306,895.00	15.69
Industrial	\$ 4,811,600	\$ 75,494.00	15.69
Total	<u>\$151,841,205</u>	<u>\$2,382,389.00</u>	

Exemption Valuation - 1,504,772

Reduced Valuation \$150,336,433

Revised Tax Rate For
Commercial & Industrial
Classes

$$\$2,382,389 / \$150,336,433 = \$15.85$$

BOARD OF ASSESSORS' RECOMMENDATIONS

1. The use of the MRF permits a shift of part of the burden to commercial, industrial and personal classes of property. This would impact Amherst's commercial base, which includes the classified lands: recreation (61B), farm (61A) and forest (61). The maximum shift of 150% results in a 5.07% reduction for residential property owners, and results in a 50% increase on business property. We recommend a uniform tax rate and urge the adoption of a residential factor of 1. A residential factor of 1 supports agricultural and economic activities.
2. The granting of a residential exemption is a vehicle to provide a measure of relief to the owners of single family residences valued at less than \$427,300, by shifting the tax burden within the Residential class to the higher valued properties. For the property valued above \$427,300, taxes for each property will increase. The average property valued at \$334,300 would receive a reduction of \$145.29 if owner occupied and using the maximum 10% exemption. The Board of Assessors is sensitive to the problems of residents, especially seniors, having a problem on fixed incomes. Many of our long term residents have properties with values in excess of \$427,300 due to changing values but still have restricted cash flow.

Since income producing properties (multi-family residences and apartment complexes) are included within the Residential class, and generally are valued above \$427,300, it is anticipated that if the Residential Exemption were adopted, rents would be increased accordingly. Some landlords have leases that allow them to pass tax increases on to tenants under existing leases. We recommend that no Residential Exemption be adopted.

3. The small commercial exemption is a provision in the tax law to assist small business by shifting the tax burden to the larger businesses. Its value and interest to the business person in Amherst as well as the State is still to be determined. We recommend that no Small Commercial Exemption be adopted.

SAMPLE MOTIONS

MOTION NO. 1

I move that the Select Board adopt a minimum residential factor of 1 (one), equal tax rate for all classes of properties, for the Fiscal Year of 2010, and that no open space discount be granted.

MOTION NO. 2

I move that the residential exemption not be adopted for Fiscal Year 2010

MOTION NO. 3

I move that the small commercial exemption not be adopted for Fiscal Year 2010.

The Board of Assessors voted to approve these motions.

